

**CHELMSFORD COLLEGE  
AUDIT COMMITTEE  
19 November 2019**

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**Minutes**

Minutes of a Meeting of the Committee held at the Moulsham Street Campus, Chelmsford on Tuesday 19 November 2019 at 4.30 pm.

**PRESENT:** Susan Hughes (Chair)  
Jenny Beaumont  
Stuart Hodges  
Amanda Montague  
Jaya Patten  
Doug Zeeman

**IN ATTENDANCE:** Caroline Williams (Deputy Principal)  
Debs Hurst (Vice Principal, Finance & Corporate Services)  
Mark Emerson (Director of Information Services)  
Paul Goddard (Scrutton Bland, IAS) – till 5.30 pm  
Stephanie Beavis (KPMG, external auditor)  
Nathan Ackroyd (KPMG, external auditor)  
Rob Millea (Clerk to the Corporation)

**625. APOLOGIES FOR ABSENCE AND WELCOME TO NEW MEMBER**

Apologies for absence were received from Andy Sparks (Principal).

The Chair welcomed Jaya Patten to his first Meeting as a Member of this Committee.

**626. DECLARATIONS OF INTERESTS AND CONFIDENTIAL ITEMS**

The Clerk declared his interest as Company Secretary of Essex Shared Services Limited.

KPMG declared their interest as external auditors of South Essex College and Essex Shared Services Limited.

Scrutton Bland declared their interest as Internal Auditors of South Essex College and Essex Shared Services Limited.

Debs Hurst declared her interest as a Members' Representative on the Essex LGPS Pension Advisory Board.

**One Confidential item was notified** in respect of an HR issue and a separate minute has been prepared in respect of this item, which is attached to these minutes.

## **627. MINUTES OF THE MEETING HELD ON 10 SEPTEMBER 2019**

The Minutes of the meeting held on Tuesday 10 September 2019 were **APPROVED** and **SIGNED** by the Chair of the Meeting, subject to changing 'country' on page 3 (para 6) to 'county'.

## **628. MATTERS ARISING**

The Clerk **PRESENTED** a Paper outlining Matters Arising from the previous Meeting of the Committee on 10 September 2019, noting the Actions taken as a result.

The Committee **NOTED** that the full Board, at its Meeting on 27 September 2019, had approved the revised Financial Regulations and at its Meeting on 18 October 2019, approved the ACOP Regularity Self-Assessment Questionnaire 2018/19 (which was signed by the Chair of the Corporation and the Principal as Accounting Officer, and passed to KPMG for regularity audit purposes) and the ESFA Letter and 15 compliance points, based on the recommendations in each case by this Committee.

The Clerk advised that the Terms of Reference for this Committee, which the Committee approved at its last Meeting will be considered by the Board at its forthcoming December Meeting.

The Committee **NOTED** that the Quality & Learners Committee received an update on 5 November 2019 indicating that the Unions were now content with the format for lesson observations for the future and the full Board received an update on how to carry out Classroom Visits (the revised name for Learning Walks) at the Governors' Development Day on 18 October 2019.

The VPFCS reported that the College continues to carefully monitor time sheets and holiday recording and no issues have arisen since the last Meeting.

The Committee **NOTED** that the College has now implemented digital sign in for visitors.

Stuart Hodges informed the Committee, at the request of the Chair, that GDPR training is continuing for staff.

Mark Emerson provided a brief Report on the ILR with an electronic illustration of the content of the Report. He stated that 14 such Reports

are filed with the ESFA each year providing details of each student and the qualification which they are undertaking or have undertaken. He reported that only one error had arisen during 2018/19.

The Committee **NOTED** that this gave assurance to the Committee as to the correctness of the College's ILR Returns.

Mark Emerson then suggested and the Committee **AGREED** that an annual summary ILR Report will be made to this Committee for information and to provide assurance as to the ILR process.

All other Matters Arising are dealt with elsewhere within this Agenda.

## **629. RISK MANAGEMENT REPORT**

This Report was **PRESENTED** by the Vice Principal, Finance & Corporate Services, comprising Risk Dartboard, and up to date Risk Register.

### **629.1 Risk Register and Dartboard**

The College Risk Register, recently updated, was considered by the Committee. There are currently 24 key risks made up of 1 RED risk (Achievement of AEB Funding Allocation) 14 AMBER and 9 GREEN.

Achievement of Adult Funding allocation for 2018/19 has not been achieved and there will be a clawback for that year of approximately £60K, which will be clawed back (i.e. repaid) in January 2020.

The GREEN risks are shown on the register but only two (Local Environment and Ofsted grade) on the dartboard.

There are four new risks (Future Strategic Options - AMBER, Local Environment - GREEN, Increased Financial Surplus - AMBER and Ofsted grade - GREEN).

The Report also highlighted the possible inclusion on the next Risk Register iteration of three new emerging risks

- T Levels and the study programme
- Retention
- Intervention areas and failure to improve outcomes in those areas (Health and Social Care and Engineering/Construction)
- Qualification changes

which had been raised at the Quality & Learners Committee on 5 November 2019.

Mark Emerson made the point that the College has performed well in work placements during the 2018/19 pilot. This was discussed more fully at the Quality & Learners Committee on 5 November 2019 and is documented in the minutes of that Committee.

The VPFCS reported that five risks have been removed from the Register (numbers 1,8,18,20,22), which the Committee **NOTED**.

The College is dealing with three formal **employee grievances** at the present time. One has been resolved but the other two are ongoing. In response to a question from the Chair, Debs Hurst did not feel that it is appropriate for this item to be a RED risk at this time.

### Questions

Jenny Beaumont asked about the enhancement procedures for LAC, High Needs and Adult Carers – risk 7. The Deputy Principal said that these learners are regularly reviewed by the Director of Learner Development and Inclusion with a particular focus on anticipating the needs of these learners. This includes ensuring that they are not at risk in any way and have every opportunity to achieve.

The VPFCS advised, in response to a question from Amanda Montague, that risk 10 is being updated and will feature in the register for the Board Meeting for 6 December 2019.

Jaya Patten asked that, where relevant, items on the register be linked to ESFA monitoring.

In response to the Chair, the VPFCS advised that a budget reforecast (risk 28) is in progress and the Board will be informed at the December Meeting on a high level basis.

The Committee **NOTED** the points made on these risks in the Report and the verbal comments made by Management.

The Committee were reminded that review of the Risk Register is a standard agenda item at regular SMT Meetings and is therefore scrutinised on a continual basis.

The Committee **RECEIVED** the Report.

## **629.2 Assurance Mapping**

Scrutton Bland gave a presentation at the Board Development Day on 18 October 2019 on Risk Management and Risk Appetite.

As part of the Day, the Board and the College Executive Group completed an exercise to assess the risk appetite for the College in line with the categories shown on the College's Risk Dartboard. The moderated risk appetite assessment was presented to the Committee and, after discussion, the Committee felt that the gradings given were appropriate for the College. The risks rated by the Board were either minimal, neutral or tolerant. No gradings were risk averse or risk seeking.

The Committee **AGREED** that the outcomes of this exercise should be reviewed in further detail at the next Meeting of this Committee. It is felt that the review may stimulate a training need for governors and SMT.

The Committee also noted the Risk Register now shows the sources of assurance for each risk (either internal or external) and the current actions being taken to manage/mitigate each of the Risks on the Register.

**ACTION: DH**

## **630. INTERNAL AUDIT**

### **630.1 Internal Audit Completed Reports 2019/20**

One audit advisory review has been completed this year – Nursery Ofsted preparation (health check). The Committee **RECEIVED** and **DISCUSSED** this Report.

The purpose of the review **Nursery Ofsted Preparation** was to provide independent assurance to the Committee as to the level of preparedness the College Nursery (Dovedale Nursery) has achieved in anticipation of an Ofsted visit this term (although a visit has not yet been scheduled).

The conclusion of the Report was **significant** assurance that the Nursery is prepared and able to support an inspection shortly.

Seven **low risk** recommendations arose, which have been incorporated in the Ofsted inspection Plan and are agreed by Management of the College and the Nursery.

#### **Points made in discussion**

Jenny Beaumont asked about recommendations 6 and 4 which stated that the level of Safeguarding qualification of the Nursery Designated Safeguard Lead is not recorded in the staff qualification list retained and that there is not an up to date staff training plan with completed training fully recorded.

The Committee was assured that all staff in the Nursery are properly trained and that training is regularly updated. Furthermore, the Nursery's own records reflect the current position – this will be reflected in central HR records.

The Chair commented, in respect of recommendation 7, that it is not necessary to provide Ofsted information that they do not require or do not request and to therefore maintain a cautious approach.

Paul Goddard of Scrutton Bland provided a verbal Report on a **GDPR Health Check** based on work he had carried out today. He mentioned that there is a continuing need for more training for more staff and this is in hand. In addition, he commented that data mapping is underway so that there is clarity as to the records the College possesses and that it is clearly documented and tracked within the organisation.

He reported that it was clear that staff are aware of their duties regarding data in order to comply with GDPR and that the College's policies and procedures reflect both the regulations themselves and good practice.

A formal GDPR Report will be presented at the next Meeting of this Committee.

**ACTION: CLERK/SB**

The Committee **ACCEPTED** the outcome of the Advisory Review noted above.

### **630.2. Outstanding Audit Recommendations**

The Committee **RECEIVED** a summary of previous recommendations and actions taken.

Five recommendations were itemised and these are ongoing and deadline dates are noted with which the Committee agreed. In each case, actions are in hand.

Mark Emerson **REPORTED** that Staff Deployment has significantly improved and it was **AGREED** that the two recommendations in question can be removed from the schedule.

The Committee otherwise **NOTED** the Report.

### **631. ANNUAL REPORT AND ACCOUNTS 2018/19**

The Vice Principal, Finance & Corporate Resources **PRESENTED** the following documents for consideration by the Committee:

- Draft Annual Report and Audited Financial Statements of the College Group for the year ended 31 July 2019, including the Regularity Audit Opinion
- Draft Audit Highlights Memorandum from KPMG
- Draft Reports and Financial Statements for the year ended 31 July 2019 for Dovedale Nursery CIC (College subsidiary)
- Going Concern Report
- Teachers' Pension Agency Return

The Committee also received a copy of the draft accounts of Essex Shared Services Limited for information. These have been reviewed by the Board of ESS and are subject to final tax adjustments and technical review. They will be approved by the ESS Board by 2 December 2019.

The Surplus in the Annual Financial Statements for the College Group has been reconciled to the surplus as per the Management Accounts, the movements being primarily in connection with pension fund accounting under FRS102, which turns an operating surplus of £59K plus the surplus on the Beacon House sale of £365K, into an overall deficit of total Comprehensive Income of £438K.

Some adjustments to complete the Financial Statements were received from the Chair of the Corporation (as Finance Governor) and the Clerk and these will be processed before 6 December 2019 plus anything else further which arises from final checks by the College and the external auditor.

There are no audit adjustments to the Accounts of the College or Dovedale Nursery CIC and KPMG indicated that they would be issuing unqualified opinions on the two entities and an unqualified regularity audit opinion. It was noted that there was one uncorrected classification error discovered during the audit but it was not material enough to warrant adjustment.

The Dovedale Nursery surplus for the year of £186K will be gift aided to the College via a cash payment.

The Committee noted the acceptable result for the year in what continues to be an extremely tight financial climate in the sector.

The Committee asked about the College's Financial Health. Based on the ESFA financial methodology, the College's Financial Health at 31 July 2019 was Requires Improvement and, based on the College's Financial Plan 2019 to 2021 submitted to the ESFA, it is expected to remain as

Requires Improvement for 2019/20. (N.B Requires Improvement has replaced Satisfactory in ESFA terminology).

The Committee **RECEIVED** a letter from the ESFA dated 23 October 2019 confirming the College's Financial Health as noted above and copies of the letter were provided to Members.

**Nathan Ackroyd of KPMG led the Committee through the detail of the KPMG Audit Highlights Memorandum and made the following points:**

The Committee noted the following outstanding points in connection the approval of the accounts:

- Letters of Representation for the Group and the subsidiary company (Dovedale Nursery CIC)
- Letter of Comfort from the College to KPMG in respect of Essex Shared Services Limited (joint venture company) noting that South Essex College also provides such a letter for ESS
- Final post balance sheet events review, including going concern review
- Some minor adjustments to the presentation of the accounts

No Letter of Comfort is deemed necessary for Dovedale Nursery CIC from the College as Dovedale is a solvent company, with positive net assets and is making trading profits, with which KPMG agreed.

There were no significant findings arising from the areas of significant accounting judgement identified by KPMG during their planning stage.

KPMG recited the significant risks which they had addressed during the course of the audit, which are documented in the Memorandum.

KPMG commented on the assumptions in computing the pension liabilities and that the College assumption of 1% assumed salary increase was lower than CPI of 2.4%. The actuary applied the rate of 1% as it was felt by the College to reflect the likely level of future salary increases and reflected recent awards. Without significant further funds in the sector, the likelihood of higher pay awards is low.

A governor challenged the 2.4% assumption on the grounds of downward pressure on interest rates and on inflation.

KPMG said that the lower 1% used by the College is nevertheless within their audit tolerance.



It was **AGREED** that this issue be reviewed and agreed by the Board at its July Meeting each year before the actuarial valuation is carried out under FRS102 by Barnett Waddingham (LGPS actuaries).

For this year, the assumption of salary increases will be approved at the December Board Meeting as part of the accounts approval process.

### **ACTION: CLERK**

The VPFCs informed the Committee that the results of the actuarial review at 31 March 2019 will be known in early 2020 and this will give the actual deficit in respect of the Scheme, which is not what is reflected in the accounts under FRS102 as FRS102 is an accounting computation and does not reflect the actual deficit or surplus at a given time.

This issue will be included in the Letter of Representation to be requested by KPMG as part of their final audit procedures. The College will provide an assurance to KPMG stating that the College is challenging the assumptions used by the actuary with regard to salary levels. This demonstrates the College's scrutiny.

The Committee **NOTED** that the Bank refinancing letter has still not been finalised with Barclays Bank and it is hoped it will be completed by 28 November 2019. This will secure the College's debt financing. There is no risk that this will not be achieved. The Committee noted that the Board has already given its agreement (July 2019) to the refinancing package.

KPMG are comfortable that the College is a Going Concern and are prepared to sign an unqualified opinion on the Accounts and an unqualified Regularity Audit Opinion.

KPMG reported a number of two minor audit recommendations, both of which have been dealt with. Both of these points were ranked as being of Low Priority.

The Committee **RECOMMENDED** that the Annual Report and Accounts for the College Group and Dovedale Nursery CIC be approved by the Board at its Meeting on 6 December 2019, subject to the outstanding points noted above being satisfactorily completed.

### **631.1 GOING CONCERN REPORT**

The Vice Principal, Finance & Corporate Resources **PRESENTED** a Going Concern Report to provide assurance to the Committee that the College is a Going Concern for the period of twelve months after the approval of the 2018/19 accounts (i.e. to December 2020) and to enable it to recommend accordingly to the Board on 6 December 2019.

The risks considered were as follows:

- LGPS deficit repair payments arising from actuarial review have been agreed until the next actuarial review and security over College assets has not been required
- Recruitment of 16-18 year old students for 2019/20 is slightly below last year and allocation but 2018/19 was the best year ever for recruitment. Therefore, 2019/20 is the second best year for recruitment for 16-18 year olds. In 2020/21, taking account of the increased per capita funding per learner which has been announced, should mean that the overall grant funding should remain at least the same as this year
- An overdraft is not expected to be required in the foreseeable future although cash will be tight in early 2020 (none was required during 2018/19)
- A loan of £1.5million is in place with Barclays to repay the RCF of £1.2million with £300K to replace some of the cash used on capital works at Princes Road. With the sale of Beacon House, security has been given to Lloyds to secure their remaining debt of £2.7million (once the Barclays loan has been effected). Overall debt of the College with the two banks is now £4.2million after refinancing. The refinancing will be secured formally shortly with Barclays, it having been agreed in principle by them and the Board
- The budget for 2019/20 is a planned surplus of £400K
- Restriction on capital expenditure for 2019/20

The Committee **NOTED** that the College's Financial Health as advised by the ESFA (letter dated 23 October 2019) at 31 July 2019 was Requires Improvement and, based on the submitted financial plan, would remain as Requires Improvement for 2019/20.

The Committee noted the financial risks to the College taken into account in this Report and, having considered these risks and the accounts and budget and cash flow projections for the twelve months following the date of signing of the accounts (expected to be 6 December 2019), is satisfied the College Group is a Going Concern.

The VPFCs commented that there is likely to be an expansion of Higher Needs income next year as Chelmsford College is the main provider for Essex County Council and this will further strengthen likely income levels for 2020/21.

A governor queried how the cash days in hand figure is computed having regard to the target of 20 days. The actual figure of 15 days is an average based on the whole year, because the number of days in hand varies according to day by day cash flows.

The VPFCS said that cash was the main factor in the College being able to improve its Financial Health from Requires Improvement to Good (as more cash will improve the current ratio). Therefore, the College will be monitoring cash extremely closely.

It was noted that the ESFA Standard rolling cash flow template was used by the College in the Financial Plan for 2019/21. A further ESFA financial forecast is expected to be required for 31 January 2020, although the template for that is still awaited.

Therefore, the Committee **RECOMMENDED** to the Board that, in their opinion, the College is a Going Concern for the twelve month period from 6 December 2019.

### **631.2. TEACHERS' PENSION AGENCY RETURN**

The certificated return of contributions to the Teachers' Pension Agency for 2018-19, audited by KPMG, external auditors, and certified by the Principal, had been completed.

A governor observed that item 6 on the recommendations has not been fully cleared by KPMG and the College. The VPFCS will research this point and report back to the Committee.

**ACTION: VPFCS**

### **632. BUSINESS CONTINUITY AND DISASTER MANAGEMENT**

The Committee **RECEIVED** a verbal Report from the VPFCS on the above topic, accompanied by a copy of the Minutes of the Crisis Management Meeting held on 24 October 2019. These Meetings are held twice per year.

This item will be a Standing Item on future Audit Agendas.

At the next Meeting, the Committee will review the completion of actions which have a deadline which has just passed (13 November) to ensure all cleared or progressed. Meanwhile, the Board will be informed of progress at the December Meeting.

**ACTION: VPFCS**

In answer to a governor question, it was confirmed that a Lockdown test on both campuses is to be held soon. A governor further commented that communication is a vital part of dealing with a crisis or critical incident.

Management confirmed that a Detailed Action Plan is in place to handle Critical incidents and it is regularly reviewed.

### **633. ANNUAL DATA PROTECTION REPORT 2018/19**

The Committee **RECEIVED** and **DISCUSSED** the above Report. The Report is provided to give assurance to governors as to the College's activity in this area and its compliance with good practice.

The Committee were reminded that Doug Zeeman is the designated GDPR/Data Protection governor.

Mark Emerson reported that the GDPR health check carried out today by the Internal Auditors (see minute **630.1**) was positive and the College was conscientious in applying the Regulations. Internal Audit confirmed that the achievements listed below were an accurate representation.

The Report highlighted the achievements since the GDPR Regulations came into force on 25 May 2018 (mandatory requirements):

- Implementation of the Personal Data Protection Event reports system
- Cleansing of learner MIS data
- Management of learner 'consent' and contact details
- Move to Office 365 email provision for staff

The key matters to progress during this year are:

- Review of archived material
- Audit of digital images (on the network and off-line)
- Improvement to remote access arrangements
- Implementation of Mobile Device Management Server
- Audit of email holdings
- Use of Office 365 GDPR compliance tools
- Development of the 'Employer Portal'
- Continuing training for staff

In response to a question from Amanda Montague, Mark Emerson explained that work is ongoing to fully catalogue all items of personal data that the College holds into a comprehensive data dictionary. This includes detailing the purposes for which information held by the College can be used for.

The data dictionary is a sophisticated system which details where all personal data is stored and includes digital and hard copy artefacts. It is a substantial piece of work and is only partly complete. It involves, amongst

other things, each Department examining the information they hold on a self-assessment basis.

Mark Emerson informed the Committee that there is a separate Data Protection and GDPR Risk Register and Dartboard maintained and this is a subsidiary document underpinning the College's main Risk Register.

The Committee **RECOMMENDED** that the Report be approved by the Board at its Meeting on 6 December 2019.

#### **634. COMMITTEE MATTERS**

The Director of Information Services informed the Committee that the confirmations requested by the ESFA in respect of sub-contracting activity by the College has been given by the due date of 1 November 2019.

The Clerk **PRESENTED** the Annual Report of the Audit Committee 2018/19 for consideration by the Committee and, after discussion, the Committee **RECOMMENDED**, subject to making two amendments, it be approved by the Board at their Meeting on 6 December 2019.

The Report informs the disclosures made in the Annual Report of the College regarding Corporate Governance and Internal Control.

The Committee reaffirmed that, in its opinion, the Board can take assurance from the work of this Committee.

After discussion, the Committee **AGREED** to re-appoint KPMG as financial statements and regularity auditors for the year ended 31 July 2020.

#### **635. ANY OTHER BUSINESS**

There were no items of AOB.

#### **636. DATE OF NEXT MEETING**

Tuesday 23 June 2020 at 4.30 pm.

There being no further business, the Meeting terminated at 7.00 pm.

Signed.....Dated.....